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(non) Profitability in Healthcare

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DSO Profitability Fueled by Data-Driven Insights

Learn how analyzing the right KPIs (key performance indicators) with the right tools can help DSOs to make informed decisions to maximize profitability despite variability among individual practices within the network.



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key points

- While the process of acquiring new practices contributes to the profitability of DSOs, it also raises unique challenges.
- A significant percentage of DSOs today have limited visibility into the performance of their practices.
- Key performance indicators (KPIs) like surgical appointment times and treatment case acceptance rates can provide insight into the performance of individual practices and clinicians.
- DSOs can glean informed insights from data aggregated from the KPIs of all practices thanks to centralized platforms and artificial intelligence.
- As part of a comprehensive strategy to maximize profitability while achieving desirable clinical outcomes, a unified IT system can harmonize data collection and other operations across a network's practices.

The Unique Challenges to Profitability

Like other businesses in the healthcare industry, dental service organizations (DSOs) seek to increase their profitability while delivering high-quality treatments at price points that their customers can afford.

DSOs, however, face unique challenges to scaling profitably. The ongoing trend of acquisition has been a boon to the success of DSOs, and many DSO leaders agree that acquisition continues to play an essential role in profitability (Becker's Healthcare 2023). Paradoxically, the acquisition model also poses the greatest inherent challenge to profitability for DSOs.

With each new acquisition, a DSO adds more than a new revenue source to its platform. It also acquires an independent entity with a unique practice setup, distinct

treatment workflows, and unique practice management software. This diversity in function makes it exceptionally

challenging for a DSO to compare the performance of the practices against each other and obtain a clear picture of their individual contributions to the organization's overall profitability.

According to a study conducted by the Boston Consulting Group, more than 40% of DSOs have no transparency into their average patient lifecycle value, 25% of DSOs don't know the percentage of their patients that have long-term treatment plans, and over half of DSOs do not have an advanced or optimized patient database.

DSOs are clearly in dire need of greater transparency into the performance of their multifaceted organizations. Without such insights, it is virtually impossible for



corporate-level leadership to make fully informed decisions that move the organization towards greater profitability.

Insights Supplied by KPIs

Profitability is often measured by KPIs such as gross profit and net profit. Other KPIs, however, supply insights into the actual performance of practices within a DSO’s network, and these KPIs are the ones that inform decisions that can drive increases in profitability.

Valuable KPIs that DSOs can regularly track and evaluate include:

- Active patient count
- Case acceptance rates
- Unscheduled treatment
- Surgical procedure times
- Patient no-show or cancellation rates
- New patient counts versus patient attrition rates

These KPIs can help DSOs harmonize clinical workflows, optimize administrative operations, ensure the strategic allocation of resources, recognize oral healthcare consumer trends, evaluate clinician performance, and identify opportunities for growth and even expansion into new markets, all of which contribute towards increased profitability.

With a wide array of unique practice holdings, it can be a time-consuming or even impossible task for a DSO to aggregate the data on such KPIs for each individual practice. If the data from all practices could be analyzed in one place, however, then the organization’s leadership would have the vital information they need to make strategic decisions.

One DSO consisting of more than 400 practices successfully executed an innovative and holistic strategy that involved tracking KPIs related to single-unit implant treatments performed by several of the organization’s clinicians. The strategy demonstrated a marked increase in the single-unit implant delivery capacity of individual clinicians by more than 30% per year (data on file with Straumann Group). This ability to evaluate clinician performance allowed the DSO to calculate forecasted increases in production and profitability.

Analytical Solutions to Aggregate Data and Track KPIs

A harmonized IT system is essential to integrating all practices in a group and consolidating data on one centralized platform. With the aid of powerful analytical tools such as advanced machine learning, digital dental technology, and artificial intelligence (AI) technology, DSOs can gain insights into all of their practices’ workflows to obtain key metrics, identify bottlenecks in the system, highlight untapped opportunities, and then adapt their business strategy accordingly.

Here are a few steps DSOs can take to start experiencing the benefits of AI in data aggregation:

1. **Review.** Review current metrics like patient satisfaction, occupancy, appointments, treatments, and production.
2. **Analysis.** Identify the sources of variation among the data for evidence-based management.
3. **Forecast.** Understand ongoing trends to improve planning and risk stratification.
4. **Recommendations and performance management.** Seek expert advice on issues that are important for your DSO. Ask questions like: how can we improve treatment plan case acceptance rates? How do we guide patients from awareness to conversion? How can we strengthen our competitive advantage? Where can we get support for the digital manufacturing pathway?
5. **Strategic planning.** Explore new opportunities using AI-based data analytics to answer crucial questions like: what measures should be implemented to increase patient satisfaction? What are the weakest links in materials logistics and how can they be eliminated? What needs to be prioritized to enhance the ROI?

Learn more by reading the white paper “[Stability in the Face of Change.](#)” [Stability in the face of change – Download now \(straumann.com\)](#)



Many DSOs are sitting on veritable wellsprings of growth and profit potential, but they have not yet found clear instructions on activating this potential. With the right tools for aggregating and analyzing their data, however, DSOs can be equipped to leverage the latent potential of their existing patient cohorts (see box: “How to Activate Your DSO’s Growth Potential”).

Conclusion

DSOs today face the challenge of increasing their profitability despite the variation in operations of a diverse range of acquired practices. To reduce the

variables in performance and gain deeper insight into the profitability of the organization overall, DSOs can harness the power of unified IT systems, AI, and other digital tools that facilitate the collection and aggregation of data and supply informative KPIs. These KPIs, in turn, offer actionable insights that the organization can utilize in developing strategies to maximize profitability.

With a comprehensive strategy and expert support, DSOs will be empowered to activate their growth potential to experience increased profitability while sustaining their standard for clinical excellence and improving their operational efficiencies.

Visit Straumann Group’s [resources page for DSOs](#) to learn more.

references

Becker’s Dental Review. Last updated 21 March 2023. Consolidation trends: 17 dentists and DSO executives are following. Available from <https://www.beckersdental.com/featured-perspectives/40405-consolidation-trends-17-dentists-and-dso-executives-are-following.html>.

How to Activate Your DSO’s Growth Potential

Use the checklist below to assess your organization’s potential and identify cost-efficient opportunities for experiencing further growth.

- Profile your organization’s established patient base and execute a segmentation strategy using software that aggregates, organizes, and analyzes data on existing patient cohorts to identify marketing opportunities and incomplete treatment plans.

- Develop strategic marketing endeavors and implement them to generate consumer demand across your network’s geography.
- Utilize digital technology like intraoral cameras and scanners to help consumers become more fully engaged with their recommended treatment plan by transforming the diagnostic process into a collaborative experience that fosters trust and encourages treatment plan acceptance.
- Build positive relationships with consumers that begin from the moment a potential patient interacts with the DSO’s brand

through encounters with marketing messaging.

- Establish airtight lead generation and treatment conversion pathways.

Also see the white paper “The Elixir of Growth.” [The Elixir of Growth – Download now \(straumann.com\)](#)